

# **NONPROFIT EMPLOYMENT IN CALIFORNIA—BY SIZE OF FIRM**

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Labor Market Information Division  
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The views expressed are those of the Labor Market Information Division and do not necessarily reflect the policies of the Employment Development Department of the State of California.

# **NONPROFIT EMPLOYMENT IN CALIFORNIA BY SIZE OF FIRM**

## **Introduction**

This working paper was prepared for the Nonprofit Employment Data Project, operated by the Johns Hopkins University Center for Civil Society Studies. The data in this paper primarily contain estimates of quarterly employment and wages, by size of employer, in the second quarter of 2000. They are drawn from the California Employment Development Department's (EDD) Covered Employment and Wages program, funded by the federal Bureau of Labor Statistics, and known more commonly as the ES-202 program. The methodology is based on several ways of identifying nonprofit businesses. Limitations of the data require that they be understood as estimates and not as precise measures.

## **Background**

The Nonprofit Employment Data Project is attempting to produce data for numerous states in order to demonstrate the growing economic importance of the nonprofit sector. Maryland was the first state in which published data were released, and the findings there showed that nonprofit businesses employed over eight percent of the total workforce in 1998.<sup>1</sup> Since then, published data have been released for West Virginia, Illinois, Louisiana, South Carolina, and California.<sup>2</sup>

## **Findings**

The tables and charts presented in this paper display data in two dimensions—industry and employer size. The Standard Industrial Classification (SIC)<sup>3</sup> code at the two-digit and three-digit levels is used for select industries where nonprofit businesses predominate. In brief, the major findings are that:

- Almost two-thirds (65.1 percent) of nonprofits businesses employed less than 10 workers. However, these very small businesses employed less than five percent of nonprofit workers and paid just four percent of total nonprofit wages in the second quarter of 2000.

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<sup>1</sup> Lester M. Salamon and Leslie C. Hems, "Maryland's Nonprofit Sector: A Major Economic Force," Maryland Association of Nonprofit Organizations, February 2000.

<sup>2</sup> These reports are available electronically through the website: [www.jhu.edu/~ccss](http://www.jhu.edu/~ccss).

<sup>3</sup> The SIC system is the nationally recognized system that is used to categorize industries.

- The largest nonprofit businesses, 250 workers or more, comprised only 2.5 percent of nonprofit businesses, but employed almost 60 percent of all workers, and paid just over two-thirds (66.8 percent) of all wages.
- Social Services and Membership Organizations are the largest two industries containing nonprofit businesses, accounting for 56.5 percent jointly of all private sector nonprofit businesses.
- The Health Services industry, especially large Hospitals, accounts for a disproportionately large amount of nonprofit employment and wages. Health Services (SIC 80) employed 36.8 percent of all nonprofit workers, with the largest Hospitals (SIC 806), those with 1,000 or more workers, alone employing almost one-quarter (24.9 percent) of all workers. Hospitals paid 37.2 percent of all nonprofit wages, with the largest Hospitals alone paying 31.2 percent of the total.

#### A. Nonprofit Employment and Wages

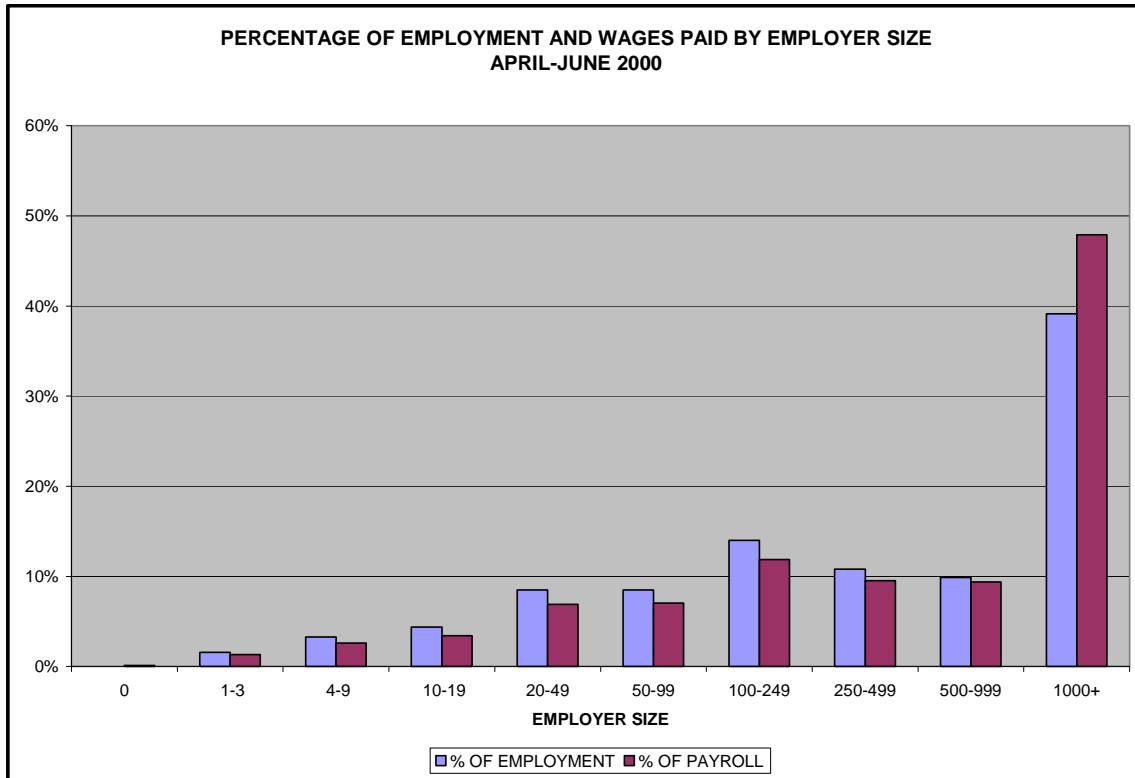
Table 1 presents statewide employment and wage data for private sector nonprofit businesses in the second quarter of 2000. Two facts stand out prominently. First, a large majority of nonprofit businesses are small, employing less than 10 workers. Second, the largest businesses, those employing 250 or more workers, though relatively few in number, account for a disproportionately large amount of the employment and wages paid. Chart 1 gives a visual display of the dramatic difference that employer size makes when analyzing nonprofit employment and wages. In fact, the largest businesses, those employing 1,000 or more workers, alone accounted for just over 39 percent of employment and almost 48 percent of quarterly wages paid.

**TABLE 1**  
**NONPROFIT EMPLOYMENT AND WAGES IN CALIFORNIA**  
**BY SIZE OF BUSINESS**  
**APRIL-JUNE 2000**  
**(All Industries—Private Sector)**

<b>Number of Workers</b>	<b>Number of Businesses</b>	<b>June 2000 Employment</b>	<b>Quarterly Payroll</b>
0	1,511	0	\$7,717,778
1-3	8,037	14,100	91,594,045
4-9	4,935	29,434	183,700,381
10-19	2,880	39,122	240,546,719
20-49	2,462	76,488	488,512,432
50-99	1,087	76,347	495,652,500
100-249	826	125,581	838,092,401
250-499	279	96,953	672,744,504
500-999	126	88,685	664,266,383
1000+	124	351,603	3,387,095,383
<b>Total</b>	22,267	898,313	\$7,069,922,526

SOURCE: Employment Development Department, Labor Market Information Division.

# CHART 1 NONPROFIT BUSINESSES-PRIVATE SECTOR



SOURCE: Employment Development Department, Labor Market Information Division.

This predominance of very large firms is unusual in California's labor market. Table 2 presents statewide employment and wage data for all businesses, both private and public, for the third quarter of 2000. Those figures show that the smallest firms comprise even more of all businesses than they do for nonprofit businesses. Specifically, over three-quarters (77.5 percent) of all businesses in third quarter 2000 employed less than 10 workers. By contrast, almost two-thirds (65.1 percent) of all nonprofit businesses in second quarter 2000 employed less than 10 workers.<sup>4</sup>

On the other hand, as Chart 2 clearly demonstrates, the largest businesses do not predominate in workers employed and wages paid for all industries as they do for the nonprofit sector. For example, the largest businesses, those employing 1,000 or more workers, accounted for just under 15 percent of workers employed (compared to 39 percent for large nonprofits) and 21 percent of wages paid (compared to 48 percent for large nonprofits) for all industries in the third quarter of 2000.

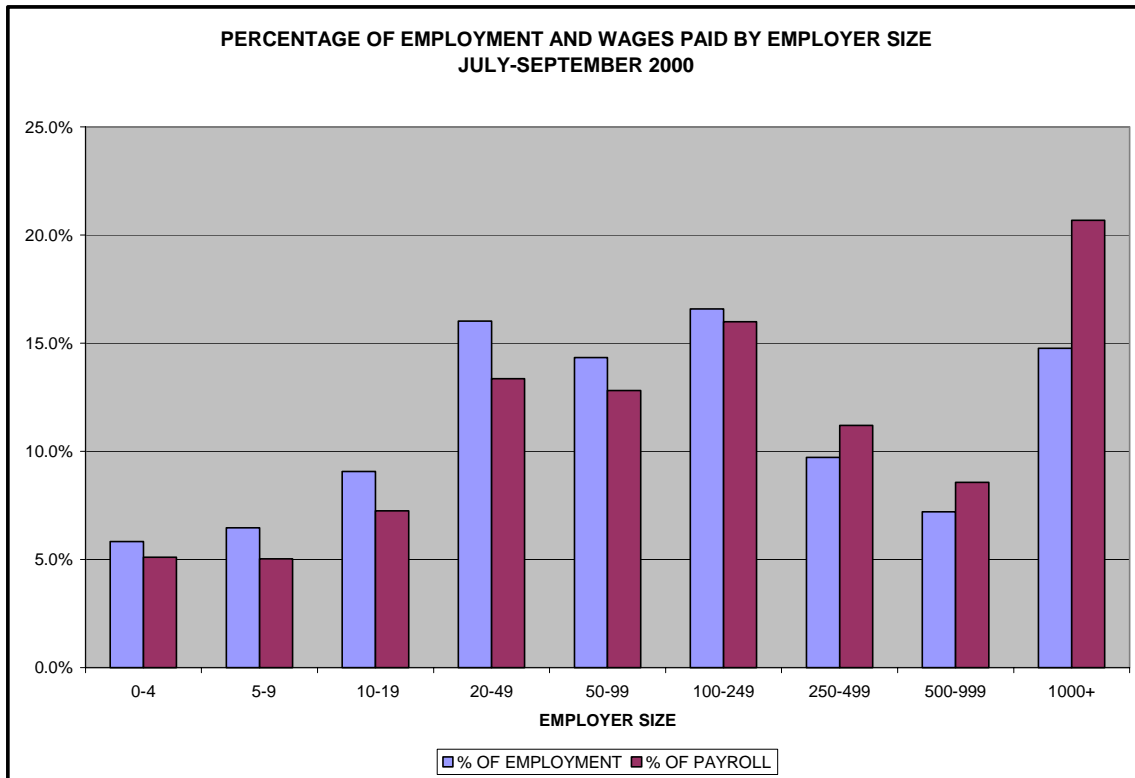
**TABLE 2**  
**EMPLOYMENT AND WAGES IN CALIFORNIA**  
**BY SIZE OF BUSINESS**  
**(All Industries—Private and Public Sectors)**

<b>Number of Workers</b>	<b>Number of Businesses</b>	<b>September 2000 Employment</b>	<b>Quarterly Payroll (in thousands)</b>
0-4	663,510	883,911	\$7,744,376
5-9	147,624	979,381	7,653,733
10-19	101,293	1,372,640	11,011,854
20-49	79,284	2,426,777	20,284,077
50-99	31,425	2,171,799	19,469,493
100-249	16,815	2,510,579	24,311,571
250-499	4,298	1,471,340	17,022,583
500-999	1,605	1,092,170	13,013,859
1000+	936	2,236,299	31,431,387
<b>Total</b>	<b>1,046,790</b>	<b>15,144,896</b>	<b>\$151,942,933</b>

SOURCE: "California Size of Business: Number of Businesses by Employment Size, Industry, and County—July-September 2000." Labor Market Information Division, Employment Development Department. Internet address is: [www.calmis.ca.gov](http://www.calmis.ca.gov)

<sup>4</sup> The difference in quarters reported is not meaningful. Third quarter data were used in Table 2 because the Labor Market Information Division uses this quarter when producing the annual report cited after Table 2.

## CHART 2 ALL INDUSTRIES-PRIVATE AND PUBLIC SECTORS



SOURCE: Employment Development Department, Labor Market Information Division.

## B. Nonprofit Employment and Wages by Industry-Two Digit SIC

The following sets of tables break out nonprofit employment and wages by two-digit and three-digit SIC. Tables 3-5 present data based on two-digit SIC, Tables 6-8 for three-digit SICs. Table 3 looks out at the number of nonprofit businesses by size class and two-digit SIC. Two SICs—Social Services (SIC 83) and Membership Organizations (SIC 86)—dominate the list. These two combined account for 56.5 percent of all private nonprofit businesses. According to the 1987 Standard Industrial Classification Manual, Social Services “includes establishments providing social services and rehabilitation services to those persons with social or personal problems requiring special services and to the handicapped and the disadvantaged.” Membership Organizations “includes organizations operating on a membership basis for the promotion of the interests of their members. Included are organizations such as trade associations; professional membership organizations; labor unions and similar labor organizations; and political and religious organizations.”<sup>5</sup>

**TABLE 3  
NUMBER OF NONPROFIT BUSINESSES BY SIZE CLASS  
AND TWO-DIGIT SIC  
SECOND QUARTER 2000**

	Two-Digit SIC							
Number of Workers	79	80	82	83	84	86	87	Other SICs
0	139	37	149	391	17	328	65	385
1-3	473	116	403	1,829	103	2,914	264	1,935
4-9	295	96	363	1,495	68	1,452	213	953
10-19	198	92	268	1,051	34	694	94	449
20-49	173	143	327	921	41	426	70	361
50-99	107	106	190	388	16	142	23	115
100-249	52	123	119	304	16	82	28	102
250-499	8	66	39	102	8	19	4	35
500-999	3	56	17	21	0	7	7	15
1000+	0	78	15	8	*	7	7	7
<b>Total</b>	<b>1,448</b>	<b>913</b>	<b>1,890</b>	<b>6,510</b>	<b>303</b>	<b>6,071</b>	<b>775</b>	<b>4,357</b>

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 79=Amusement and Recreation Services; 80=Health Services; 82=Educational Services; 83=Social Services; 84=Museums, Art Galleries, and Botanical and Zoological Gardens; 86=Membership Organizations; 87=Engineering, Accounting, Research, Management, and Related Services.

<sup>5</sup> Standard Industrial Classification Manual—1987. Executive Office of the President, Office of Management and Budget, pp. 394 and 398.



Tables 4 and 5 examine employment and wages paid by two-digit SIC. Here Health Services (SIC 80) clearly dominate, especially the largest Health Services nonprofits. Health Services “includes establishments primarily engaged in furnishing medical, surgical, and other health services to persons.”<sup>6</sup> As Table 4 shows, over one-third (36.8 percent) of nonprofit employment came from Health Services businesses, with just over one-quarter (25.9 percent) coming from Health Services businesses employing 1,000 or more workers.

**TABLE 4  
NONPROFIT EMPLOYMENT BY SIZE CLASS  
AND TWO-DIGIT SIC  
JUNE 2000**

	Two-Digit SIC							
Number of Workers	79	80	82	83	84	86	87	Other SICs
0	0	0	0	0	0	0	0	0
1-3	839	224	700	3,250	179	5,147	473	3,288
4-9	1,719	619	2,309	9,100	391	8,472	1,257	5,567
10-19	2,674	1,255	3,800	14,204	454	9,452	1,231	6,052
20-49	5,299	4,726	10,544	28,294	1,286	12,761	2,179	11,399
50-99	7,832	7,913	13,197	26,716	1,212	9,725	1,495	8,257
100-249	7,046	19,565	18,011	45,926	2,350	12,354	4,603	15,726
250-499	2,790	23,091	14,379	34,865	5,797	6,487	1,537	11,829
500-999	2,132	40,741	13,084	12,997	0	4,600	4,757	10,374
1000+	0	232,672	49,475	10,561	*	14,587	19,907	20,579
<b>Total</b>	30,331	330,806	125,499	185,913	11,669	83,585	37,439	93,071

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 79=Amusement and Recreation Services; 80=Health Services; 82=Educational Services; 83=Social Services; 84=Museums, Art Galleries, and Botanical and Zoological Gardens; 86=Membership Organizations; 87=Engineering, Accounting, Research, Management, and Related Services.

Wages paid figures are even higher as Table 5 demonstrates. Health Services paid 43.5 percent of all nonprofit wages, with the 1,000 and over employers paying almost one-third (32.2 percent) of the total. As will be seen shortly in the three-digit SIC breakout, Hospitals (SIC 806) are by far the biggest single employer source of these figures. However, it is worth noting that both Educational Services (SIC 82) and Social Services (SIC 83) are significant contributors to employment and wages, each paying 14.5 percent of total wages, and employing 13.9 percent and 20.7 percent respectively of all nonprofit workers.

<sup>6</sup> Ibid., p. 385.

**TABLE 5**  
**NONPROFIT PAYROLL BY SIZE CLASS**  
**AND TWO-DIGIT SIC**  
**APRIL-JUNE 2000**  
**(In millions)**

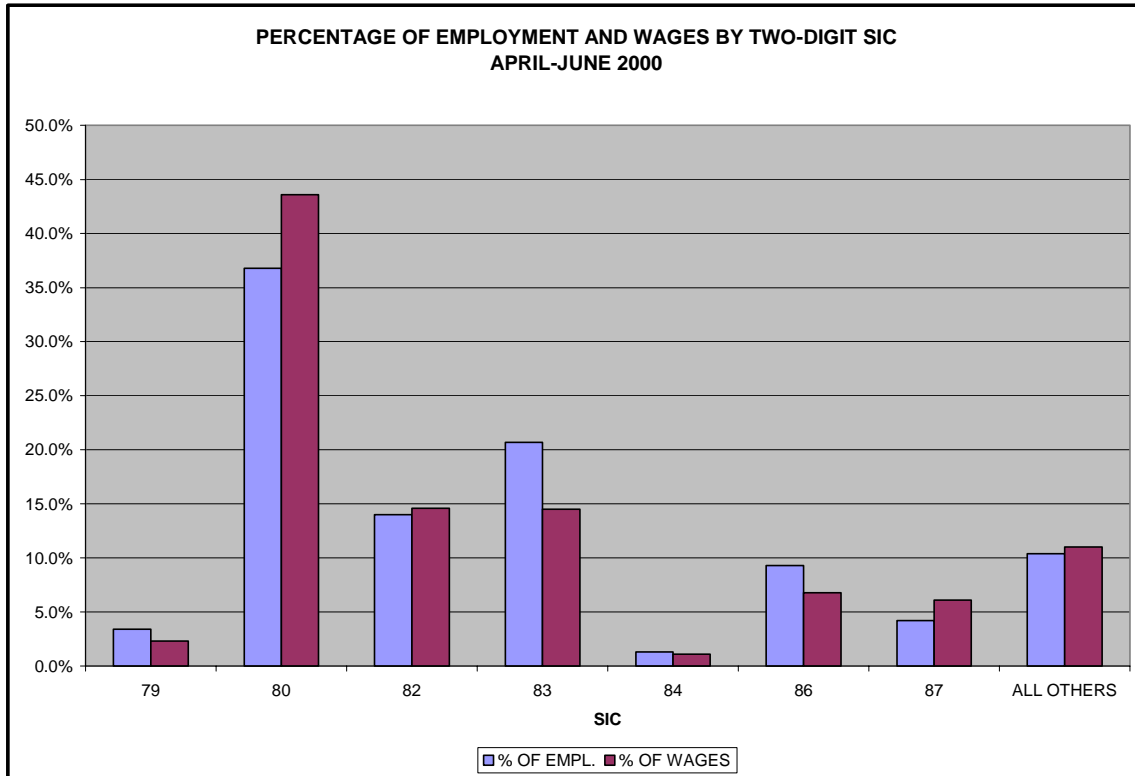
	Two-Digit SIC							
Number of Workers	79	80	82	83	84	86	87	Other SICs
0	\$0.4	\$0.4	\$0.8	\$2.3	\$0.05	\$1.1	\$0.6	\$2.1
1-3	3.9	1.6	5.4	20.8	0.8	30.1	5.4	23.5
4-9	7.3	4.6	14.9	50.7	1.8	53.6	12.4	38.3
10-19	9.5	8.7	21.1	82.5	2.4	59.5	12.7	44.3
20-49	23.2	45.3	65.1	157.0	7.7	79.1	21.8	89.4
50-99	45.4	56.5	98.0	146.9	6.2	65.9	16.0	60.8
100-249	38.5	143.7	134.5	262.4	14.8	82.1	45.8	117.3
250-499	21.6	199.0	110.7	191.7	43.3	28.4	17.3	89.0
500-999	12.2	340.9	92.9	66.0	0	23.1	52.4	76.8
1000+	0	2,278.7	486.8	47.5	*	61.3	248.6	235.9
<b>Total</b>	\$162.0	\$3,079.5	\$1,030.1	\$1,026.9	\$77.0	\$484.1	\$432.9	\$777.5

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 79=Amusement and Recreation Services; 80=Health Services; 82=Educational Services; 83=Social Services; 84=Museums, Art Galleries, and Botanical and Zoological Gardens; 86=Membership Organizations; 87=Engineering, Accounting, Research, Management, and Related Services.

Chart 3 visually depicts the dominant role played by Health Services in nonprofit employment and pay.

**CHART 3**



**SIC Industry Description:** 79=Amusement and Recreation Services; 80=Health Services; 82=Educational Services; 83=Social Services; 84=Museums, Art Galleries, and Botanical and Zoological Gardens; 86=Membership Organizations; 87=Engineering, Accounting, Research, Management, and Related Services.

### C. Nonprofit Employment and Wages by Industry-Three Digit SIC

Tables 6-8 present nonprofit employment and wages by the three-digit SIC industry. Table 6 shows that Individual and Family Social Services (SIC 832) had by far the most number of nonprofit businesses at the three-digit level, comprising almost 11 percent of all nonprofits. However, since three-digit data for Membership Organizations (SIC 86) were not tabulated, it is possible that one of those three-digit industries could have had a higher or equally high number of nonprofits.

**TABLE 6  
NUMBER OF NONPROFIT BUSINESSES BY SIZE CLASS  
AND THREE-DIGIT SIC  
SECOND QUARTER 2000**

	Three-Digit SIC										
Number of Workers	792	805	806	808	821	822	823	832	833	835	836
0	58	0	3	3	30	7	*	128	15	33	40
1-3	180	5	7	6	56	34	15	596	34	187	80
4-9	96	6	3	9	106	25	13	579	47	217	158
10-19	56	*	*	4	111	23	3	415	41	185	178
20-49	50	10	4	25	211	26	3	384	61	137	196
50-99	22	31	9	10	135	20	0	169	53	44	85
100-249	9	39	15	8	82	27	0	108	48	26	81
250-499	5	7	37	4	14	21	*	34	20	14	26
500-999	3	4	41	*	*	15	0	5	4	3	6
1000+	0	*	71	0	3	12	0	*	4	0	*
<b>Total</b>	479	102	190	69	748	210	34	2,418	327	846	850

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 792=Theatrical Producers (Except Motion Picture), Bands, Orchestras, and Entertainers; 805=Nursing and Personal Care Facilities; 806=Hospitals; 808=Home Health Care Services; 821=Elementary and Secondary Schools; 822=Colleges, Universities, and Professional Schools; 823=Libraries; 832=Individual and Family Social Services; 833=Job Training and Vocational Rehabilitation Services; 835=Child Day Care Services; 836=Residential Care.

Tables 7 and 8 highlight the importance of Hospitals (SIC 806), especially the largest hospitals, as nonprofit employers. Table 7 shows that Hospitals employed just over 30 percent of all nonprofit workers, with the 1,000 workers and over Hospitals representing almost a quarter (24.9 percent) of the total. The figures for wages paid are even higher, with Hospitals paying 36.8 percent of all wages, and the 1,000 workers and over Hospitals alone paying almost a third (31.2 percent) of the total. Clearly, Hospitals are the biggest single employer of nonprofit workers.

**TABLE 7  
NONPROFIT EMPLOYMENT BY SIZE CLASS  
AND THREE-DIGIT SIC  
JUNE 2000**

	Three-Digit SIC										
Number of Workers	792	805	806	808	821	822	823	832	833	835	836
0	0	0	0	0	0	0	0	0	0	0	0
1-3	322	10	15	16	102	58	19	1,105	61	354	163
4-9	560	53	17	58	734	149	68	3,484	304	1,388	1,034
10-19	745	*	*	52	1,615	315	38	5,665	556	2,452	2,440
20-49	1,459	371	133	780	6,938	790	432	11,865	1,937	4,035	6,027
50-99	1,609	2,494	692	837	9,422	1,418	0	11,521	3,695	2,888	6,087
100-249	1,315	5,364	2,719	1,359	11,518	4,811	0	16,200	6,896	3,879	12,789
250-499	1,883	2,285	12,711	2,462	5,349	7,566	*	11,316	7,456	4,643	8,921
500-999	2,132	4,198	31,130	*	*	11,267	0	4,146	2,459	1,624	7,209
1000+	0	*	223,528	0	5,614	44,697	0	*	5,251	0	*
<b>Total</b>	10,025	14,775	270,945	5,564	41,292	71,071	557	65,302	28,615	21,263	44,670

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 792=Theatrical Producers (Except Motion Picture), Bands, Orchestras, and Entertainers; 805=Nursing and Personal Care Facilities; 806=Hospitals; 808=Home Health Care Services; 821=Elementary and Secondary Schools; 822=Colleges, Universities, and Professional Schools; 823=Libraries; 832=Individual and Family Social Services; 833=Job Training and Vocational Rehabilitation Services; 835=Child Day Care Services; 836=Residential Care.

**TABLE 8**  
**NONPROFIT PAYROLL BY SIZE CLASS**  
**AND THREE-DIGIT SIC**  
**APRIL-JUNE 2000**  
**(In millions)**

	Three-Digit SIC										
Number of Workers	792	805	806	808	821	822	823	832	833	835	836
0	\$0.2	0	\$0.005	\$0.07	\$0.2	\$0.3	0	\$1.0	\$0.08	\$0.3	\$0.4
1-3	1.7	0.2	0.2	0.09	0.8	0.5	0.1	6.0	0.5	1.7	0.9
4-9	3.2	0.1	0.09	0.7	3.8	2.2	0.5	18.3	2.2	5.5	4.6
10-19	4.7	*	*	0.4	9.2	2.0	0.3	32.6	3.5	10.2	12.0
20-49	6.9	2.2	5.7	5.3	44.5	4.6	0.8	67.7	10.7	18.6	29.0
50-99	10.8	13.2	6.6	6.6	74.3	11.3	0	66.0	18.6	14.9	31.5
100-249	6.1	28.6	20.7	9.9	89.1	36.4	0	99.1	29.0	21.5	72.1
250-499	15.9	14.8	111.2	10.5	39.1	61.8	*	66.2	31.7	23.3	59.8
500-999	12.2	16.8	276.5	*	*	80.2	0	16.1	9.0	8.3	21.3
1000+	0	*	2,209.8	0	19.7	467.2	0	*	17.9	0	*
<b>Total</b>	\$61.6	\$84.7	\$2,603.9	\$40.1	\$284.5	\$666.3	\$3.8	\$378.7	\$123.3	\$104.2	\$247.6

\*Confidential Data. Data have been merged with other size classes to protect confidentiality.

**SIC Industry Description:** 792=Theatrical Producers (Except Motion Picture), Bands, Orchestras, and Entertainers; 805=Nursing and Personal Care Facilities; 806=Hospitals; 808=Home Health Care Services; 821=Elementary and Secondary Schools; 822=Colleges, Universities, and Professional Schools; 823=Libraries; 832=Individual and Family Social Services; 833=Job Training and Vocational Rehabilitation Services; 835=Child Day Care Services; 836=Residential Care.

## Methodology

Most of the data contained in this report are derived from private sector employers covered by California's unemployment insurance laws. They are a product of a Federal-State cooperative program known as the Covered Employment and Wages, or ES-202 program. The ES-202 program accounts for approximately 97 percent of all wage and salary civilian employment (the program does not cover self-employed and family workers). The principal exclusions from ES-202 are: railroad workers, religious organization employees, and students. In terms of nonprofit employment, the exclusion of religious organizations is the most significant.

Employment is the number of filled jobs for the pay period that includes the 12<sup>th</sup> day of each month as reported by the employer and it includes full and part-time workers. If a person holds two jobs, that person would be counted twice in these data. Wages include bonuses, stock options, the cash value of meals and lodging, tips and other gratuities.

The employment data in this report are not the official estimates from the EDD. Instead, they constitute a “snapshot” of wage and salary employment for the specific quarters presented. As “snapshots,” these data are not designed to represent a time-series of employment data.

The employment data for nonprofit organizations are isolated from for-profit organizations by using state records on tax exempt organizations, including, but not limited to, so-called 501(c)(3) organizations registered with the State of California for purposes of tracking exemption from federal unemployment taxes. This encompasses private, not-for-profit universities, schools, hospitals, clinics, social service agencies, day care centers, orchestras, symphonies, museums, art galleries, theaters, homeless shelters, soup kitchens, and many more.

There are some nonprofit firms who are not captured in this report. These are an undetermined, but possibly significant, number of multiple establishment commercial firms that have nonprofit subsidiaries. These subsidiaries would not be identified as such in EDD records. On the other hand, there may be some multiple establishment nonprofit firms that have commercial subsidiaries.